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### Altimo selling half of Turkcell stake cheaply; Altimo-Telenor progress allows Kyivstar to release financials

Altimo, the telecoms investment arm of Russian conglomerate Alfa Group, has announced details of the sale of half its stake in Turkish cellico Turkcell, following its announcement that it was cutting the stake to reduce an indirect holding in Ukrainian mobile operator Astelit, in compliance with a US court ruling in August. The Court of Appeal in New York granted a lawsuit filed by Norway's Telenor – Altimo's fellow shareholder in Ukraine's mobile market leader Kyivstar – obliging the Russian firm to either sell its shares in Kyivstar or reduce its ownership to below 5% in both Kyivstar's domestic GSM rival Astelit (via its interest in Turkcell) and another Ukrainian company, WiMAX operator Ukrainian High Technologies (UHT, aka Alternet). Turkcell, Turkey's dominant cellico, owns 54% of Astelit, giving Altimo an indirect share of 7.2%. Altimo is selling 50% of shares in its Turkish daughter company Alfa Telecom Turkey, which owns 49% of shares in Cukurova Telecom Holdings, which in turn owns 51% in another intermediary vehicle, Turkcell Holdings. The latter owns 51% of Turkcell, with Altimo possessing an overall stake of 13.2% in Turkcell. Altimo says it has agreed to sell 6.6% of Turkcell to Kazakhstan-based Visor Holding for USD20 million, whilst retaining the right to buy back the shares, Russian newspaper Vedomosti reported. However, the stake is worth around USD1.6 billion, based on Monday's closing price for the shares, reported Bloomberg. The transaction reduces Altimo's stakes in Turkcell and Astelit to 6.6% and 3.6%, respectively. Altimo Vice President Kirill Babayev explained the apparent 'giveaway' sale by saying that the price is so low because 'Alfa has preserved its economic interest in Turkcell and will receive the dividends in such volume

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as if it remained the only shareholder of its Turkish daughter company.'

Altimo's other asset to be sold, UHT (Alternet), is jointly owned by Intel Capital and Russian Technologies, an Alfa Group subsidiary. Mr Babayev said that the conglomerate's 40% stake in the WiMAX operator has long been on the list to be divested, as it has been developing slowly, partly held back by a conflict with Ukraine's National Commission on Communications Regulation, which resulted in the loss of some previously granted WiMAX frequencies (cut down to 200MHz in the 3.4GHz-3.6GHz bands, from 300MHz, in June 2006, according to TeleGeography's GlobalComms database). The UHT stake is being bought for an undisclosed sum by little-known Russian company Intec Holding, which Altimo identifies as an investor in CIS telecoms markets.

Meanwhile, following the recent withdrawal by Alfa of several lawsuits against Telenor, the Norwegian group says it will report the financial results of Kyivstar as an associated company from the fourth quarter of 2007, after finally receiving full unaudited financial information for the Ukrainian cellco for the first three quarters of the year. Earlier this year ongoing disputes with Alfa forced Telenor to deconsolidate Kyivstar from its group accounts. Telenor holds 56.5% of Kyivstar, with the other 43.5% held by Alfa's Storm unit. Although welcoming the release of Kyivstar's financial information, Telenor's Head of Central and Eastern Europe, Jan Edvard Thygesen, said his firm would continue to pursue Alfa through the courts. 'As a consequence of Alfa's continuing collusive litigation in Ukraine and its ongoing boycott of Kyivstar's board and shareholder meetings... Telenor remains unable to consolidate Kyivstar's financial results,' he said, adding that 'to restore corporate governance in Kyivstar, Telenor intends to continue its efforts to enforce the arbitration award and court orders against Alfa and its affiliates, including Storm and Altimo, wherever they and their assets can be found.' On 3 December Storm boycotted Kyivstar's planned shareholders meeting again, continuing a long-standing pattern. Kyivstar showed strong financial progress in the first nine months of 2007, posting third quarter pre-tax profits of NOK645 million (USD118 million), up from NOK611 million the previous quarter and NOK512 million, in January-March. Revenues in the three months to end-September were NOK3.427 billion, up from NOK2.831 billion in the first quarter.

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